EAST-WEST INVESTMENT NEWS

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Albania; Baltic States; Belarus; Bulgaria; Hungary; Uzbekistan

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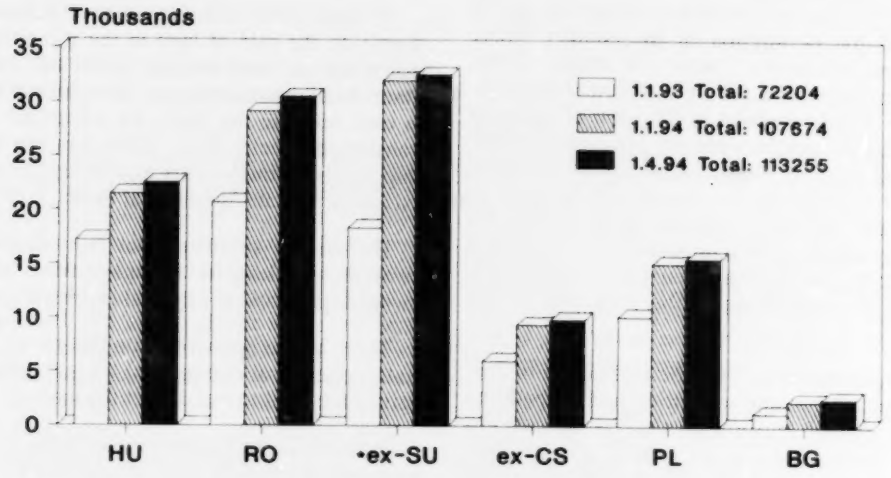
STOP PRESS

HIGHLIGHTS OF THIS ISSUE

- A comparison of the regulations dealing with foreign investments demonstrate a continuing liberal approach by Governments of central and eastern Europe.
- CIS states agreed to liberalize intra-CIS trade
- Over 113000 foreign investment projects have been registered in the former CMEA by the end of March 1994.

CHART 1

ECE ECONOMIES IN TRANSITION
Growth of Foreign investment



Number of FIEs

*ex-SU data include those for Baltic States, CIS States and Georgia

I. RECENT LEGISLATION

CIS

Free trade agreement (FTA) between member countries

On 15 April 1994, during the Summit Meeting of the Heads of Governments of the twelve CIS member-states, a number of important treaties on trade and economic relations were signed.

The decision on trade issues include agreement on the creation of a free-trade zone, on cooperation in customs, on re-export of goods, on cooperation between customs authorities responsible for exports and imports of objects of cultural and historical value, and on the rules surrounding country of origin.

The agreement on the creation of a free-trade zone is considered as the first step towards a future customs' union.

The FTA stipulates that the parties agree to revoke gradually all customs duties, taxes, quantitative restrictions and other restrictions in mutual trade. At present, CIS member-states are using different forms of tariff and non-tariff protection for their markets with quantitative limitations and duties applicable also to deliveries to and from the CIS.

The countries still have the right to introduce regulatory measures in foreign trade, for the protection of the environment, public health and national security.

Certain exemptions from FTA regime are made for sensitive goods. The lists of such products as well as the procedure for trade liberalization will be prepared for discussion and approval within six months from the entering into force of this Agreement.

It is hoped that signatories to this agreement will also undertake measures towards solving the problem of mutual payments, to coordinate economic policies within the terms of this agreement, to promote economic and scientific cooperation, and to take necessary steps for the unification and harmonization of national legislations.

Plans a e underway to prevent discrimination in favour of domestic commodities against products produced in other states which have signed the agreement. For transit goods destined for exports to third countries the same freight rates as for local commodities must be applied.

Additional taxes and payments (along with those to be lifted) on mutual exports/imports should not differ considerably from their actual cost. Goods imported from states which are party to the Agreement will be subject to excise and other taxes at the same rate as local products.

READEX
FICHE

Governments have agreed not to grant subsidies to domestic industries which might impede fair competition in mutual trade. One of the main problems of trade relations concerns re-exporting of imported goods. It is of particular importance when it concerns export of goods which is subject to (voluntary and tariff) limitations on western markets. It was decided that re-exporting can be made only with the permission of the country where commodities are produced. Country of origin of the goods to be re-exported has the right to demand the exporting country a compensation in the form of payment of a part of the difference between the price on domestic and international markets (such compensation is limited to 50 per cent of difference in prices). In the case of goods which have undergone transformation before re-exporting, the customs' duties imposed must be shared by the exporting and re-exporting countries in proportion to each country's contribution to the final cost of the end-product.

The signed agreements call for the unification of customs' regulations in member-countries and preparation and implementation of uniform documents for customs (declaration of goods, invoice, etc.) and of similar regulations on the origin of products. This will require closer cooperation among customs' authorities to enable them to monitor efficiently the proper application of the origin of products.

Implementation of new trade and customs' regulations requiresextensive administrative, organizational and technical work to be carried out with the willingness and good-will among partners. The Agreement is applicable from the outset, but it will enter into force officially after the first three signatory countries will have fulfilled the necessary procedures and regulations for its implementation.

In evaluating the CIS free-trade agreement, it should be noted that the re-establishing of economic links among CIS states is going rather slowly and depends on constant changes in political relations and disputes which may impede positive developments in mutual trade.

Thus, so far, only an agreement on uniform documents for customs has been transpired between the Russian Federation and Belarus. Both countries are now studying ways and means of unifying their customs. As a first step towards such union, Belarus has agreed to revise the lists of goods subject to quota and licensing rules to conform with the regulations in Russia. It was also decided to abolish customs' duties in mutual trade (duties were abolished on 1 May 1994). Belarus and Russia seem to be very close to establishing a common rouble zone, and, to this end, certain documents of intention have been signed by high-level officials. But, there has been a strong opposition to closer economic union in the parliaments of both countries.

As for trade relations between other partners in CIS, progress has been more modest. Although under a recent instruction from the Russian State Customs Committee, concessions in customs' payments were granted for goods subject to excise duties when imported from CIS states. Both joint ventures and domestic business operators in the CIS states will benefit from the proposed foreign trade liberalization measures by having better access to local markets of member-states.

KAZAKHSTAN

In April 1994 , the President of Kazakhstan signed a decree on the sale of land in the Republic, which states that while the land remains under the ownership of the State, local administrations are allowed to sell the right to own and use the land. As a lifetime right it can be transferred to heirs. State authorities can sell land ownership rights to individuals and to legal entities (with the exception of state agricultural farms).

The Decree stipulates that individuals can sell, give away as gift, lease or mortgage their inherited right to ownership of land to physical and legal persons.

There are no restrictions on the use of land (excluding state agricultural enterprises) by legal entities having received the right to use or rent the land.

Individuals and corporations with the right to own land cannot sell their right of ownership to foreign physical persons, but may transfer it in the form of payment to the capital of joint-stock companies, partnerships, cooperatives, including those with foreign partners. Thus, in this way joint ventures can acquire land property rights.

The Decree prohibits sale of the right to use or rent land plots used for public transport and communications purposes, such as streets, squares, motorways, national parks and historic monuments, land used for recreational and cultural activities, belonging to forest and water funds and used for defence purposes.

Another Presidential decree introduced amendments to income tax law. Under the new law the ceiling for personal income has been increased up to 60 per cent. Foreigners residing in a country for more than 183 days of a year, will now be required to pay a tax not only on their income received in Kazakhstan, but on the totality of their income (including earnings abroad) regardless of where it has been earned.

In addition to an increase in the rate of income tax, foreign non-resident companies having the permission to pay salaries in hard currency, will be subject to a special seven per cent tax on such payments.

The new tax regulations will undoubtedly affect the profits of joint ventures and foreign companies in Kazakhstan, particularly the income of those engaged in large-scale projects with a large number of foreign and local employees. In the past, companies had increased the gross salary of their personnel to offset the burden of taxes. According to reports, foreign investors may try to influence the Government to reverse or amend its decision on taxation.

A number of important projects especially, in oil exploration is being implemented in the country. Recently, two agreements were concluded between the Kazakh Government and the OPIC (USA) for insurance of American-financed ventures: an investment of USD 3 million for oil drilling project and USD 40 million for

finance and insurance for USD 80 million exploration project.

HUNGARY

Law on ownership of arable land

In April 1994, the Hungarian Parliament approved a new bill regulating the ownership, lease and use of arable land.

Under these new rules, domestic physical and legal persons can acquire up to 300 hectares of arable land with the total value not exceeding six thousand "Golden crowns" (a golden crown is an artificial indicator reflecting permanent value of a land parcel, with no monetary form). The above limits also concern non-arable land if it is registered and sold together with cultivated land. At the same time, certain areas abutting a farmstead are excluded from such restrictions. Where plots are situated in the specially designed "underdeveloped regions", more liberal rules on the purchase of land to domestic individuals residing in Hungary apply.

Debates in Parliament on the Law primarily focused on the rights of foreigners to buy arable lands. Strong opposition to this proposal resulted in the barring of foreigners from such deals. Nevertheless, the above restrictions do not concern acquiring property rights through succession, prescription, construction of a building, or purchase through auction with compensation vouchers. Foreigners are permitted to buy farm houses provided the land belonging to it does not exceed six thousand square meters. Purchase of farm houses is subject to the same regulations governing acquisition of apartments, summer houses, etc.

The provisions of the Law on long-term leasing of land limit the duration of a lease which can be fixed by the contracting parties to a leasing agreement. The Law also introduces a time limit on the duration of a lease depending on the type of cultivation, which in all cases must not go beyond 30 years. For foreigners, however, the period of a lease is limited to ten years.

There are also restrictions on the size of plots offered for leasing. Individual tenants can lease 300 to 500 hectares of agricultural land. Cooperatives and agricultural companies can lease up to 2.5 thousand hectares.

The Law states that tenants are entitled to "first right of refusal" if the leased arable land and/or a farm house is sold by the owner. Nevertheless when a land reserve is offered for sale the State has the right and priority over a tenant.

Physical and legal persons using land (both owners and tenants) are obliged to make use of and protect the land. Arable land must be cultivated; even when it has not been cultivated the land must be maintained in order to preserve its productive capacity. Failure to comply with the requirements for the protection of arable land may result in a fine.

Any changes from its initial use is subject to prior approval. A special fee is charged when arable land is used for other purposes (no tax is levied, however, if such transformation enchances the protection of soil, irrigation, provision of drinking water, etc.).

ROMANIA

Foreign investments regulations.

According to reports, the Government is reviewing some of the provisions of its foreign investment legislation. It is proposed, in particular, to raise the minimum capital requirement for foreign investment which is presently fixed at USD 10 thousand. The purpose of this amendment is to prevent future joint ventures without sufficient capital from benefitting from customs and tax concessions. It is expected that the new rules will also deal with foreign investors' contribution in kind to the capital of a joint project, depending on its form (i.e. equipment, technology, etc.).

The Government, moreover, plans to change that provision of the foreign investment law which prevents Romanian partners giving additional concessions to foreign investors, unless otherwise permitted by the legislation. If the amendment is approved, the Romanian business operators will have better negotiating power to make the provisions of investment agreements coincide with the requirements of specific projects.

In the meantime, special rules for export-oriented companies with foreign participation are approved. Under the new regulations, joint ventures will be granted customs' concessions and tax holidays: seven-year exemption on payment of customs' duties on imports of equipment, machine tools, raw materials and spare parts which are used for production purposes, and five-year exemption from profit tax. Both operational and new investment projects engaged in industrial production have access to the new concessions.

To be eligible for these concessions, companies have to meet the following requirements: the foreign capital contribution must be no less than USD 50 million; the foreign investor's minimum share must be 60 per cent; more than half the production must be exported; the company must remain operational for at least 14 years from the signing of agreement upon the receipt of concessions.[1]

CZECH REPUBLIC

Property Law

In May 1994, a new property law became effective in the Czech Republic. The law is intended to facilitate the transfer of ownership and to lower the prices of real es-

[1] These measures should be seen in the context of the Government's market transition reforms aimed, in particular, to accelerate the restructuring and privatization of the state sector in industry. The approval on 11 May 1994 by the International Monetary Fund of the USD 700 million worth loan package will significantly contribute to these efforts.

tate. It is hoped that this development will increase the availability of real estate for business and accommodation purposes, both for local as well as for foreign investors.

The new law permits owners of buildings to sell their property in individual units. Previously, only entire buildings could be sold. Now apartments, retail and office space can be sold individually. According to the law, the current tenant is given six months in which to accept the owner's purchasing offer. In the case the tenant refuses to buy at the price offered, the owner has the possibility to offer it to a third party. However, in the latter case, the owner has to provide the former tenant with a replacement dwelling.

Where owners of commercial buildings wish to split it up for sale, the law requires the owner to inform the cadastral office that they want to reclassify their property as a group of individual units rather than as a single building. The owners of the buildings, however, will not be required to pay any additional taxes due to the reclassification of the property.

However, according to some legal experts, the law is still ambiguous in some important respects. The most important is whether the law gives the current tenant a second chance to buy the property. According to the majority of interpretations by Czech lawyers, once the current tenant has rejected the offered price and a new price has been agreed with a third party, the owner has to offer the current tenant a second opportunity to buy the property at the new price agreed upon with the third party.

Some critics point out that the practice of a second offer to the current tenant may cause delays of up to two years for the sale of a property. Furthermore, the law is criticized for ignoring some practical and technical problems. For instance, some apartments cannot easily be divided into separate units because they share kitchens, corridors and bathrooms. Further legislation on this point is expected later this year.

RUSSIAN FEDERATION

Recent changes in taxation rules

On 23 May 1994, a number of Presidential decrees were issued, in order, *inter alia*, to broaden the tax base, fight tax evasion, and to ease the tax burden in selective uses. In line with the Decree on tax policy, the Government will issue regulations on accelerated depreciation for machinery and equipment in high-technology sectors.

New legal acts to be prepared and submitted to Parliament for approval, will limit the number of taxes to be imposed, diminish the level of basic taxes (in particular, profit and value-added taxes), by 10-20 per cent and revoke most tax concessions. At the same time, the Government plans to compensate the loss of tax revenues incurred as a result of proposed measures, by increasing income and property taxes. Other Presidential decrees, however, impose sterner measures for the vialation of tax payment regulations. Under the new rules, companies must be registered with tax authorities after their registration. Banks are not given the authorization to open an account for a company without a certificate from tax inspectors. Any infringement of this requirement will make a bank liable to penalty and even to the revoking of its licence.

Special incentives are offered to foreign investors. Joint ventures (registered after 1 January 1994) engaged in production activities, with, at least, 30 per cent paid foreign share (worth not less than USD 10 million) can have concessions on tax profit: two years tax holidays, for the two consecutive years tax on profit is paid at the one quarter and one half of the rate of normal tax ceiling respectively. However, in view of the high capital requirement for eligibility for the above tax breaks, it seems that this measure will apply to few foreign businessmen in Russia.

Tax authorities have the power to ask banks for the transfer from foreign exchange accounts of enterprises of the sum equivalent to taxes due to them. In the past, some companies had evaded paying taxes by claiming non-possession of enough roubles on their account.

In case of non-payment of taxes within three months of deadline, tax authorities must inform the Ministry of Finance, which in consultation with the State Committee on State Property Management, will issue a bankruptcy procedure for the company.

Banks are also obliged to inform tax inspectors of all transactions for US dollars of 10 thousand or more made by individuals.

According to a special Decree on cancelling of licences and quotas on exports they will no longer be required effective 1 July 1994. (Restrictions, however, will remain in force for goods exported under intergovernmental agreements). The Decree also revokes all concessions granted in respect of payment of customs duties on exports.

It is difficult, at this point, to assess the effect of this export liberalization on joint ventures, especially, on those engaged in the extraction of oil. Previously, these companies were allocated export quotas which gave them access to the country's pipeline system. Considering the limited capacity of certain pipelines, a possible obstruction to the flow of oil exports of joint ventures might be expected.

New regulations on foreign banks

On 10 June 1994, President Eltsin signed a decree on banking and related issues in Russia. Certain provisions of this Decree concern restrictions on activities of foreign banks. It might be recalled that the Presidential Decree of November 1993 restricted foreign banks and banks with majority foreign share to operations only with non-residents.

Under the new regulations banks with valid licences received from the Central Bank prior to the restrictions are exempted from previous limitations. Moreover to be entitled to the above-mentioned exemptions, foreign banks should come from the signatory countries to agreements on investment promotion and protection con-

cluded with the Russian Federation. Similar treatment is expected for Russian financial institutions engaged in a particular foreign country.[1]

Already with these new liberalized rules on foreign banks in force five western banks which have the necessary licences (and their countries of origin have ratified investment protection agreements with Russia) will soon start activities. (This is in addition to the two other foreign banks which have already been operational). Nevertheless, it seems that the issue of further permits will still be the subject to strict control by the Central Bank.

IN BRIEF

Albania

An agreement on the avoidance of double-taxation was signed with Turkey in April 1994. The Albanian Government hopes that it will encourage Turkish businessmen to invest in the country, where investment levels are modest compared with other economies in transition. At present, there are approximately 200 projects in Albania with foreign participation with a total foreign capitalization of about USD 300 million. More than one-third of the projects involve investors from Italy and about one-fifth are from Greece.

In May 1994, the National Bank adopted new rules for setting up of commercial banks with a minimum capital requirement of USD 500 thousand. To receive a banking licence it is important that, at least, one of the founders must have sufficient banking experience and have established good banking reputation. Presentation of a feasible business plan is also required.

Baltic States

Free Trade Agreement

A Free Trade Agreement concluded by Estonia, Latvia and Lithuania in 1993, came into force on 1 April 1994. This Agreement should enhance integration of the three countries and their relations with other trade groupings, particularly, the EFTA countries.

The Free Trade Agreement covers industrial goods and raw materials (negotiations on farm products are underway for a separate agreement). The Baltic countries have decided to abolish most of the existing customs' duties and quota restrictions, and introduce no new limitations in their mutual trade.

A number of sensitive goods, however, were exempted from this liberalization process. Sensitive products vary in different countries. Estonia, for example, among other items, will maintain quotas on exports of shale oil, gravel, clay and quartz; customs' duties will still be applicable to exports of hides, scrap metal, non-ferrous metals, limestone, timber, from Latvia and raw hides and timber from Lithuania. The purpose of these restrictions is to protect national industries; to ensure their access to necessary raw materials; and, to encourage exports of more labour-intensive goods.

Under the provisions of the agreement each country retains the right to impose anti-dumping measures if the imported goods seriously threaten the market share of existing producers. The tariff imposed in such cases is limited to 25 per cent for a period of no longer than five years.

The agreement also gives signatories the right to introduce temporary restrictions on exports, imports and transit of goods. Imposition of such measures might be required in the interest of national security, protection of moral values of the society, health, and the environment, etc.

An important provision which might be of interest to joint ventures operating in the Baltic states concerns the so-called cumulative origin of goods. This clause gives business operators in the Baltics the possibility to choose their suppliers of raw materials from the other two Baltic countries and export the produced goods duty free to Finland, Sweden, Norway and Switzerland.

Belarus

Minimum capital requirements

The National Bank recently decided that the minimum capital requirements for the newly founded commercial banks and branches of foreign banks be increased from 1 to 4.56 billion Belarus roubles (approximately USD 500 thousand at the rate of the National Bank of Belarus). For banks with foreign participation and/or wholly foreign-owned, the required ceiling is twice double. At present, operational financial institutions will have to increase their capital to the required ceiling by 1 July 1996 in two phases. The Government has also authorized banks to open hard currency accounts for citizens to accumulate public hard currency reserves.

Reform of real property laws

In an effort to stimulate foreign capital inflow, property rights of foreign investors have been revised. Also, the Government is studying a proposal to give the right to long-term lease of land to foreigners. Thus far, this right had been reserved exclusively for Belarus physical and legal persons.

In the meantime under the amendments adopted by the Council of Ministers and forwarded to Parliament for approval, foreign individuals and legal entities, joint ventures will have the right to lease land for a period of up to 99 years.

Privatization vouchers

The Government announced privatization process of state assets on 1 April 1994. This marks the beginning of the campaign for the allocation of personalized privatization vouchers (certificates) to the citizens of the republic. As a contrast to the Russian rule on the sale of

[1] The former USSR had signed more a than dozen investment protection agreements with western countries. The real status of most of these agreements is not clear at present due to their being re-negotiated officially on behalf of Russia. Nevertheless, the agreements are still in force (for example, in the case of Germany or France). It is expected that the re-negotiation process will help to define more clearly the rights and guarantees of foreign investors in the Russian Federation.

vouchers, sale of these certificates is not permitted in Belarus, which means that only the owners of such certificate are permitted to use them.

Bulgaria

The Government has recently introduced minimum prices for imports of certain goods in order to protect domestic producers. Products which are subject to price regulation include different types of electric lamps, steel pipes and rubber tyres. Price regulations on imported goods will be in force for one year for further review within six months for possible lifting depending on the condition of the local market.

Soon after the liberalization of foreign trade regime, Bulgarian producers suffered serious competition in many sectors. During recent months, however, their situation has slightly improved due to a significant depreciation of the Bulgarian lev against western currencies, which resulted in a sharp increase in the prices of imported goods and the fall of retail prices.

In order to re-establish economic and trade links between Bulgarian and Russian companies, a Sofia-based Bulgarian-Russian Investment Bank was founded in May 1994. Its shareholders from both sides include banks, transport companies and industrial enterprises which are dependent on mutual deliveries. Among construction projects to be financed by the new Investment Bank are gas pipelines, ferry boat link, tobacco processing plants.

Hungary

In April-May 1994, the Government adopted amendments to registration procedures of companies and convertibility of forints on trade accounts held by foreigners.

New registration rules impose, *inter alia*, an obligation on the founders of a company seeking registration to make sure no other company operating in Hungary bears the same trade name. Early applications for registration gives the company a priority in using a trade name. Another new rule requires companies to indicate their tax code on their application for registration as proof of their prior registration with tax authorities. This rule applies also to companies registered abroad.

The amendment to foreign trade regulations give foreigners the right to convert forints, received from Hungarian importers and kept on foreign trade accounts, into foreign currency. Previously, foreigners could only use local currency accumulated on their accounts to purchase Hungarian products in forints.

This measure provides an incentive to foreign companies to expand their sales for payment in local currency, a step further towards the full convertibility of the forint.

Uzbekistan

The Government has recently announced a number of measures to issue a national currency (at present a local currency-soum-coupon is provisionally being used). Since 15 April 1994, The Russian rouble has not been used as means of payment for transactions in the country. Therefore, foreign trade deals with companies from the CIS states must be settled in hard currency or on a clearing basis.

Furthermore, exporters cannot sell or transfer quotas allocated to them for exports of goods. Contracts concluded with foreign partners (including companies from the CIS) for exports of goods subject to licensing must be registered with the Ministry for Foreign Economic Relations.

New controls are introduced on payment procedures. Payments under foreign trade deals cannot be made through foreign banks. Accounts in foreign exchange can be opened only with the local banks authorized by the Central Bank. Moreover, each legal entity can have an account in one "authorized" bank only.

Exporters must sell 30 per cent of export earnings to the Central Bank of Uzbekistan at a special rate (which is below market quotations) and pay taxes on their hard currency receipts. Joint ventures with more than 50 per cent share are exempt from these obligations.

Certain measures are undertaken to accelerate privatization process. To boost foreign capital by offering foreign investors the sale of special shares in the capital of state companies, and by increasing the number of tenders, auctions and investment auctions to facilitate foreign access to those auctions. The Committee on state property management set up will negotiate with foreign partners. Finally, the establishment of a specialized state company to grant foreign and domestic investors insurance guarantees is under consideration.

II. COMPARATIVE TABLE ON FOREIGN INVESTMENT LEGISLATION

In the course of the last four years, practically all the countries in transition have made substantial progress in enacting legislation which creates an environment conducive to foreign investors. In some cases, the legislation is now comparable to that which exists in western market economies. During this period of reform, *East-West Investment News* has presented in the form of a table, a comparison of the legislation affecting foreign investors in each country.[1]

The following table compares the legislation affecting foreign investors in central and east European states and

[1] The last presentation in tabular form of this legislation was in *East-West Investment News* No. 13 (September 1992).

the successor states of the USSR as of 1 June 1994. The main source for the information contained in these tables is the respective country's foreign investment law. Although a few countries have chosen to subsume their foreign investment law into a commercial code which is applicable to all investors, foreign and domestic, in the vast majority of countries, the main source on regulations surrounding a foreign investment remains the foreign investment law. Typically, these laws provide details on approval procedures for both new investments and acquisitions of existing equity, tax incentives, rights to own land profit repatriation, etc. These laws therefore continue to be the first reference point for any prospective foreign investor.

Have the legal conditions for foreign investment in the countries of central and eastern Europe improved since the last survey was undertaken in 1992?

As can be seen from the table there still remains a surprising variety in the ways foreign investors are treated in the region. Foreign investors, for example, are not required to have their investment projects specially approved by a government agency in Hungary, Bulgaria and the Czech Republic and with a few exceptions, in Poland and Slovakia. Approval is thus automatic. In the other countries, in contrast, approval procedures remain. In addition, the basic tax which investors are charged ranges widely, from a low of 29 per cent in Lithuania to a high of 50 per cent for some investors in Albania. It is difficult therefore to generalize about conditions affecting foreign investors in the region as a whole.

A number of observations can be made about recent legislative trends in the region:

— governments of central and eastern Europe continue to adopt a largely liberal approach to foreign investment;

— investment incentives have ceased to be automatic in most countries and the general trend which can be observed is one where governments exercise neutrality between foreign and domestic investment in awarding benefits. Russia, the Czech and Slovak Republics, and for all practical purposes Belarus, Poland, Slovenia and Bulgaria provide no tax or subsidy discrimination in favour of foreign investors. At the beginning of 1994 Hungary ceased offering incentives to new foreign investors; the Czech Republic had done this from 1 January 1993. Some of these countries, however, while abandoning a policy of across-the-board, automatic, incentives have retained the right to offer incentives for selective investment projects.[2] Ukraine, Romania, most central Asian Republics and the Baltic states, by contrast, provide sometimes considerable benefits to foreign companies mostly in the form of 5 to 10 year tax holidays and reductions in profit tax.

— sectoral and equity restrictions in general are similar to those found in most OECD countries. Restrictions on foreign investment in sectors where there is a public monopoly exist in the vast majority of countries, for example in telecommunications, in the same way as similar legislation e.g. in telecommunications, limits foreign access in most OECD countries. Some restrictions in defence, security, broadcasting are identical to those found in the OECD as well. Indeed in contrast to the situation existing in a few OECD countries, where proposals have been made whose effect would be to restrict foreign investors in some high technology sectors, there appears little likelihood, from declarations of politicians in government and in opposition, of new measures emerging in central and eastern Europe, designed specifically to limit foreign penetration. Exceptions have occurred in the Russian Federation where the authorities have restricted the amount of equity which foreign investors can own in the banking sector as well as the type of operations in which they can deal;[3] in Ukraine where foreign banks' operations are restricted; and in Kazakhstan where foreign insurance companies are totally excluded.

Thus, overall in relation to the previous survey, the legal conditions affecting foreign investment have generally remained the same in these basic areas. The trend though, of treating foreign and domestic investors on equal terms (national treatment), has become more marked. This has meant that foreign investors, particularly in those countries which have received the bulk of foreign investment, must now pursue their strategies without the incentive of fiscal and other special benefits.

It must however be emphasized that in general the above-mentioned aspects of these laws only provide a partial picture of investment conditions. Many countries suffer from weak enforcement of their laws. Custom regulations, for example, fixed for foreign investors which, say, have acquired a producer in the country and which provide some degree of protection from imports, may not be enforced at the borders by customs officials, much to the chagrin of the foreign investor. Tax and customs duties overall continue to be subject to dramatic changes in some countries.[4] Gaps in legislation still exist. No foreign financed project in Romania's retail sector, for example, has occurred because of the absence of leasing laws. The purchase of corporate assets by foreign investors in some central and east European countries is blocked by legislation and by over-burdened bureaucracies. Property laws, too, affecting land and commercial buildings are also often inadequate in providing clear title to property or in enforcing secured interests. Improving these conditions will be necessary if some of these countries are to continue the progress they have already made in the liberalization of foreign investment legislation in the region.

[2] Some foreign investors have criticized the authorities for not defining adequately the criteria for the award of these special incentives.

[3] Recently, however, a presidential decree has abrogated this restriction on foreign banks.

[4] It should be emphasized, however, that in some countries, e.g. CIS member states, there is a tendency to introduce new legislation on tax and foreign trade matters, in the form of special decrees and regulations, which run parallel (and contradict) with the existing rules set down in the foreign investment law. This can create confusion amongst foreign investors as to which regulation is applicable.

COMPARATIVE PRESENTATION OF FOREIGN INVESTMENT LEGISLATION IN THE COUNTRIES OF

COUNTRY	APPROVAL/REGISTRATION	EQUITY LIMITATIONS/ RESTRICTIONS	TAXATION
ALBANIA	Registration by local court required; decision must be delivered within 10 days; appeal possible in higher court.	Wholly foreign-owned companies allowed; no formal sectoral restrictions.	50% profit tax for JVs in development of natural & energy resources; 30% tax rate for others (general corporate tax rate); 15% maximum turnover tax on all goods sold domestically, reduced to 5% for FIEs with 33% share of foreign capital; 10% withholding tax on repatriation of profits in foreign currency.
BULGARIA	No permission required; no feasibility study required; affiliated enterprise must register in district court; permission required for foreign companies or FIEs with major foreign stake for investments in weaponery and military equipment, banking, insurance, exploitation of natural resources.	Wholly foreign-owned companies permitted; no sectoral or equity limitations; foreign companies can not own land; JVs with more than 50% foreign stake can not own agricultural land.	No special tax rate for foreign investors; national corporate tax rate is 40%.
CROATIA	Registration and approval by Ministry of Economy required; decision delivered within 30 days.	Wholly foreign owned company permitted except in production of military equipment, railway and air traffic, communication and telecommunications, insurance, banking and publishing; minimum foreign contribution to FIEs statutory capital is 55 HRK (about 15 DEM).	For FIEs profit tax rate is 17.5%; national profit tax rate is 35%.
CZECH REPUBLIC	No approval required for corporate associations with foreign participation; all legal entities are to be registered in the Company Register.	Minimum foreign contribution to FIEs statutory capital is 10 thousand USD, to be paid in cash; no legal sectoral restrictions.	No special tax rate for foreign investors; national profit tax rate is 39%.
ESTONIA	Registration is required, delivered within one month.	Wholly foreign-owned companies permitted; a license is necessary in mining, energy sector, transportation or broadcasting; in banking FI can be forbidden if it creates a monopoly; Government can specify industries in which FI is forbidden.	No special tax rate for foreign investors; national profit tax is within the range of 15%-30%; exports for hard currency are not subject to 18% VAT.
HUNGARY	No approval required for corporate associations with foreign participation.	No equity and sectoral limitations.	No special tax rate for foreign investors; national corporate tax rate is 40% and tax on dividends, 20%.
LATVIA	Government registration required; authorization by CM or specialised institution needed if foreign investor buys a stake in a SOE, obtains control of a local enterprise or creates a new enterprise with capitalisation exceeding 1 mn USD; decision delivered within 30 days.	Wholly foreign-owned companies permitted; foreign investors cannot control companies in defense sector, mass media, education, recovery of all renewable and non-renewable resources, fishing, hunting and air and seaport management.	25% income tax if foreign share in FIE exceeds 30%; 35% income tax if foreign share is less than 30%; 18% VAT as from 1.6.94.
LITHUANIA	Government permission required; decision taken within 30 days; if permission refused, second application possible; FIE must begin operations 12 months after permit delivery, otherwise it is annulled.	FI stake in SOEs is limited to 49%; existing companies are considered JV by law when FI exceeds 51% of stock; FI forbidden in defense and national security sectors; FIEs may not control oil and gas pipelines, electric power supply, highways, railways, mass media and lotteries; in alcohol and tobacco production, FI is feasible only through a share in a state company; a special license is required in natural resources development, public communications, transportation, production and distribution of narcotics.	29% income tax rate for FIEs; 15% tax rate for FIE in agriculture; dividends of foreign investors are tax exempt; 18% VAT.

INCENTIVES	REPATRIATION OF PROFITS/INCOMES
2 year tax holiday (effective until 1995) and 50% income tax reduction for the subsequent 3 years; after initial 5 years of operation a 40% reduction is possible if all profits are reinvested.	Profits must be either spent or re-invested within the country.
JV income is tax exempt for 5 years in free trade zones and subsequently is subject to 20% tax; FIEs liable for tax reduction of 30% (for unlimited period) must have at least 100 thousand USD worth foreign capital share; input materials & equipment for export production are imported customs free.	After-tax profits in foreign currency may be transferred abroad, as well as those profits which are earned under contracts with state enterprises and which can be subsequently exchanged into foreign currency by the National Bank.
Exemption of tax on profits during the first year of operation, and a 50% reduction of tax liability during the second year and 25% for the third year; FIEs in special underdeveloped areas have a 2 year tax holiday; duty-free import of equipments invested; re-invested profit is tax-free.	Free repatriation of investment and after-tax profit.
A 5 year loss carry-forward is permitted; 1 year (with a possibility of extension) duty free imports of assembly parts for FIEs which have at least 30% foreign participation worth 50 mn CZK.	Investment and profits repatriation guaranted.
3 year tax holiday and 50% tax reduction for the subsequent 5 years if FI is 50% or more of statutory capital and exceeds 1 mn USD; if FI is more than 30% of capital and exceeds 50 thousands USD, a 2-year tax holiday and 50% tax reduction for subsequent 2 years are applicable; if FI constitutes more than 30% of FIE's statutory capital and the latter operates in a designated sector, it enjoys a 3 year tax holiday and 50% tax reduction for subsequent 2 years.	Free repatriation of after-tax profits in foreign currency and proceeds from FIE liquidation.
No special incentives for FIEs; corporate tax rebate and tax holiday may be granted by government in a limited number of cases; for this, companies must have a minimum equity capital of 500 mn HUF and derive at least half of their revenue from manufacture of environmentally-friendly products, increase export sales or create new jobs; maximum duration of tax concessions is 10 years (with a maximum 100% tax profit rebate during the first 5 years, and 60% during the following 5 years).	Free transfer abroad of profits in foreign currency as well as proceeds from FIE liquidation; foreign executives/employees may repatriate 50% of after-tax incomes in HUF; dividends may be remitted abroad tax-free.
If foreign investor holds more than 30% of fixed capital, FIE enjoys a 2-year tax holiday (3-year tax holiday in designated sectors) beginning from the first year profit is shown and 50% tax reduction for the subsequent 2 years; if foreign investor holds more than 50% of capital and FI is at least 1 mn USD, FIE enjoys a 3-year tax holiday and a 50% tax reduction for the subsequent 5 years.	No restrictions on after-tax profit and investments repatriation.
If FIE is registered before 31.12.93, foreign share of profits enjoys a 70% tax reduction for the first 5 years after the first income is declared and a 50% tax reduction for the subsequent 3 years; if FIE is registered between 1.01.94 and 31.12.95 foreign share of profits enjoys a 50% tax reduction for 6 years.	No restrictions on after-tax profit and other incomes repatriation.

(continued)

COUNTRY	APPROVAL/REGISTRATION	EQUITY LIMITATIONS/ RESTRICTIONS	TAXATION
POLAND	No permit or feasibility study required except in defense, real estate, sea and airports operation, wholesale trading of imported consumer goods, provision of legal services; decision pertaining to the permit is taken within 2 months.	Wholly foreign-owned companies permitted.	No special tax rate for foreign investors; 40% tax on company income/profits; exemptions by MF possible; 15% tax on dividend repatriation unless bilateral agreements specify otherwise.
ROMANIA	Approval required from Romanian Development Agency and delivered within 30 days.	Wholly foreign-owned companies permitted in all sectors except production of arms, ammunition, explosives, narcotics; forbidden when affecting national security and defence, and infringing environmental law.	No special tax rate for foreign investors; 30% tax on profits of 1 mn ROL or less; 45% tax on profits exceeding 1 mn ROL; 18% VAT.
SLOVAKIA	Authorization for FIEs in designated activities (banking, defense and security) is required; registration of FIEs in the Company Register required; decision is delivered within 60 days.	Wholly foreign owned companies allowed; FIEs must create reserve funds equivalent to at least 5% of the equity to be annually increased to 10% of the equity.	FIEs with foreign participation exceeding 30% or over 1 mn DEM enjoy one year tax holiday and reduced corporate tax rate of 40% (instead of 45%) for 2 subsequent years; in specified regions, tax rate is reduced from 30% to 20%; losses may be carried forward for 5 years; 25% VAT (6% for certain goods and services).
SLOVENIA	Foreign investment projects must be approved by the Ministry of Foreign Affairs.	Minimum statutory capital is 1,5 mn SIT (about 19 thousand DEM) for LLC and 3 mn SIT for JSC; wholly foreign owned subsidiaries are not allowed in the production of arms, rail and air transport, communication, insurance, publishing and mass-media.	30% profit tax with a 20% reduction if profits are reinvested.
CIS: AZERBAIJAN	State registration needed with procedure determined by CM; ecological & sanitary expertise required as well as an expertise in the case of large-scale construction projects; refusal in registration can be contested in court.	Wholly foreign-owned companies permitted; restrictions on FI activities in some sectors & territories to be defined by legal acts; authorized activities are to be defined by CM.	Tax rates are determined by law; 35% general corporate tax rate; 20% VAT.
BELARUS	Permission required if local partner is a state enterprise, a social organisation, or if JVs capital exceeds 30 mn SUR at November 1991 prices; FIEs must be registered by the State Committee on Foreign Economic Relations within 30 days.	Wholly foreign-owned companies permitted; licenses required for certain types of activities; special minimum capital required for banks with foreign participation.	No special tax regime for foreign investors; profits re-invested in certains areas are tax deductible; 15% tax on dividends; 20% VAT.
KAZAKHSTAN	State registration required from MF and given within 30 days.	No foreign equity limitations, except insurance where only local companies are permitted; FI is excluded from arms production and activities prohibited by law.	No special tax regime for foreign investors; 20% VAT.
MOLDOVA	Ecological & sanitary expertise may be required; if foreign share in statutory capital is more than 250,000 USD, authorization by state anti-monopoly agency required; decision taken within 21 days; registration by Ministry of Economy and Finance required and is delivered within 30 days.	Wholly foreign-owned companies permitted; minimal FI must be worth at least 10 thousand USD, for foreign banks: 1 mn USD.	No special tax rate for FI; taxes must be paid in local and foreign currency in proportion to the FIE income; 20% VAT.
RUSSIA	Registration by MF delivered within 21 days; in oil, gas and coal industries, and for FI projects with capitalisation exceeding 100 mn SUR registration by Ministry of Economy required.	Wholly foreign-owned companies permitted; licences required for certain types of activities and investments; certain restrictions on activities of foreign banks and those with a major foreign stake (currently subject to revision); equity limitations (49%) on foreign ownership in insurance.	No special tax regime for FI; 38% tax on profits (45% in trade mediation); 15% tax on dividends.

INCENTIVES	REPATRIATION OF PROFITS/INCOMES
Possible income tax exemptions are subject to approval of MF.	Free repatriation of after-tax profits and incomes of foreign employees & proceeds from property sale or liquidation; possibility of transfer of after-tax profits in PLZ converted into foreign currency.
To be eligible for tax incentives, foreign partner must have at least a 60% share in JV's capital and the latter must be operational for at least 14 years after the initial aggreement is signed; FIEs with FI of 50 mn USD or more enjoy a 7 year exemption from custom duties on imports of equipment and production inputs; profits exempted from taxes for 2-3 years from the date they are declared depending on sector; up to 50% tax rebate upon expiration of initial tax holiday (up to 5 years) is possible, conditional upon export shares in sales and share of re-invested profits; further incentives for investment in fields of particular economic importance are stipulated by the government; tax on re-invested profits reduced by 50%; foreign contributions to JVs in kind are customs-free; imports of raw materials and other inputs to production are duty-free for 2 years.	No restriction on repatriation of after-tax profits.
Companies established after 1.1.93 enjoy one year tax holiday; additional tax incentives for FIEs with foreign participation exceeding 30% or 1 mn DEM, thus for banks in the above category, tax holidays are extended for 2 more years; tax holidays do not apply to firms earning more than 30% of their gross income outside of the country; in specified regions, tax holiday on profits is extended to 2 years; in order to be elligible for tax holidays and reductions, firms have to reinvest the whole amount of tax saved and 80% of their after-tax profit; duty free imports of investment goods for JVs with foreign share exceeding 35% worth 10mn Slovak Crowns.	100% of investment and profits repatriation guaranted.
Newly established FIEs enjoy tax holiday during the first year of their operation and 66% and 33% tax reduction for the subsequent second and third years; foreign partners' contributions in kind to FIE's statutory capital are customs-free if foreign share in FIE's capitalisation exceeds 20% and the contract is of a minimum 5 year duration; In areas in which the population is decreasing, 3 year tax holidays, with a 50% and 25% tax reductions for the second and third subsequent years.	No restrictions on repatriation of after-tax profits and investment.
Contributions in kind to JVs statutory capital by foreign partner & foreign employees property are imported customs-free; license-free export of own products/services and import of inputs for own production by JVs with more than 30% foreign participation and wholly foreign-owned companies.	Free repatriation of after-tax profits & proceeds from FIE liquidation; foreign employees can repatriate after-tax salary in foreign currency.
FIE can benefit from tax incentives if foreign part in equity is at least 30%; 3 year tax holiday after first profit is declared if foreign investor has more than 30% of FIE equity and income is derived from sales of own goods/services; 50% tax reduction for subsequent three years is possible if CM decides that FIE's products are of particular importance; profit tax may be reduced from 30% to 15% if annual profits are less than 1 mn SUR.	Free repatriation of after-tax profits in foreign currency; FIE may purchase foreign currency.
5-year tax holiday if foreign investors hold over 30% of FIE's statutory capital and operate in a priority industry (eg. consumer goods and high technology industries); they enjoy 50% tax reduction in subsequent 5 years; other JVs in manufacturing enjoy a 2 year tax holiday with no subsequent tax reduction.	Free repatriation of after-tax profits and proceeds from FIE liquidation.
Tax holidays of 1-6 years depending on sector; tax reductions of up to 50% subsequently possible; if 25% of profits or more reinvested, no profit tax is paid; no tax on dividend repatriation; contributions to statutory capital are customs-free.	No restrictions on repatriation of after-tax profits; repatriated royalties cannot exceed 5% of sales.
One year tax reductions for FIEs operating in priority and in designated sectors are possible; JVs registered after 1.1.94, engaged in production activities and having at least 30% paid-in foreign share in capitalization (worth at least 10 mn USD) enjoy a 2 year tax holiday and during the subsequent 2 years profit tax rate does not exceed ¼ - ½ of the average tax rate.	No restrictions on repatriation of after-tax profits and proceeds from equity liquidation.

COUNTRY	APPROVAL/REGISTRATION	EQUITY LIMITATIONS/ RESTRICTIONS	TAXATION
TURKMENISTAN	Registration by CM needed; decisions must be taken within 30 days, expertise required.	Wholly foreign-owned companies permitted; FI forbidden if ecological expertise is unsatisfactory; companies considered as FIE or JV only if foreign investor owns a minimum of 20% of statutory capital, or as determined by CM.	If foreign investor has contributed 30% or more of his share in statutory capital in convertible currency, profit is tax-free over the pay-off period of investment; reinvested profits of all FIE are tax-free over the pay-off period of initial investment.
UKRAINE	Registration by MF is not obligatory for FIEs but those registered enjoy privileges granted by law; decision taken within 3 working days or 21 days if foreign investor seeks the granting of additional privileges; appeal in court possible in case of refusal, with decision delivered within 30 days.	Wholly foreign-owned companies permitted; territorial restrictions on foreign investors' activities possible for reasons of national security; minimal FI must be worth 500 thousand USD (50 thousand in engineering sector); increased minimum capital requirement for foreign banks.	No special tax regime for foreign investors; 19% to 22% corporate tax rate.
UZBEKISTAN	Registration by the MF required; if foreign investor intends to take an equity stake in a local enterprise with fixed assets exceeding 100 mn SUR, approval of CM is required	Wholly foreign-owned companies permitted; special authorization required for FI in some industries determined by CM; FI is forbidden in certain specific territories.	No special tax regime for FI; additional tax reductions may be granted by CM.

Legend: CM - Council/Cabinet of Ministers; FI - foreign investment; FIE - foreign investment enterprise; JSC - joint stock company; JV - joint venture; LLC - limited liability company; MF - Ministry of Finance; SOE - State-owned Enterprise;
CZK - Czech crown; ECU - European currency unit; HRK- Croatian kuna, which has replaced the Croatian dinar; HUF - Hungarian forint; ROL - Romanian lei; SIT - Slovene tolar; SKK - Slovak crown; SUR - (former) Soviet rouble.

INCENTIVES	REPATRIATION OF PROFITS/INCOMES
Contributions by foreigners in kind to FIE's statutory capital and material inputs for own production are customs-free; exports/imports do not require license if foreign investor holds 30% or more of capital.	No relevant provisions.
5-year tax holiday for FIEs with foreign equity share exceeding 20% and worth at least 50 thousand USD; if foreign equity share is 30% or more, FIE enjoys a 5-year tax holiday and 30% tax reduction subsequently; FIEs in gambling and show business are not eligible for tax holiday; 50% of import duties on production inputs are reimbursed; extension of tax holidays of up to 10 years for investments ranging from 0.5 to 10 mn USD; possibility of additional tax incentives for investments in specific areas, customs concessions.	No restrictions on repatriation of after-tax profits; 15% tax on profits repatriation for FIEs in individual sectors (eg. gambling).
2 years tax holiday for FIEs with foreign capital share exceeding 30% (3 years for firms in designated sectors); no duties and taxes on imports of FI contributions in kind and of employees' property; license-free import/export of JV products.	Profit repatriation guaranteed; foreign employees income paid in foreign currency may be transferred abroad.

Sources: National legislation and communications by governmental representatives if not otherwise indicated; Albania: BBC Summary of World Broadcasts, Weekly Economic Report (SWB WER) EEW/0334, May 26, 1994; Belarus: BBC SWB WER SUW/0324, May 26, 1994; Kazakhstan: BBC SWB WER SU/1971, April 14,1994 & BEE April 11, 1994.

III. STATISTICAL INFORMATION

1. General developments

During the first quarter of 1994, the total number of foreign investment (FI) registrations in the former CMEA area rose from 107.7 thousand in January (at the beginning of 1993 the respective figure was 72.2 thousand) to 113.3 thousand at the end of March. (see *Chart 1*).

In Hungary during the first quarter, more than one thousand foreign investment enterprises (FIEs) were established, their total number reaching 22510 by the end of March (17182 at the start of 1993).

In *Romania*, on the same date the number of FI projects registered reached 30458, compared with 29115 at the beginning of January 1994 and 20684 twelve months earlier. While in terms of number of foreign investment projects Romania remains the regional leader in attracting FI, capital-wise these enterprises are relatively small.

The number of newly registered FIEs in *Poland* increased from 10131 at the beginning of 1993 to 15053 a year later and to an estimated 15500 at the end of the first quarter this year.

During January—March 1994, the growth in FI continued in both parts of the former *Czech and Slovak Federal Republic*. At the beginning of April, the estimated number of FIEs in the *Czech Republic* were 5300 as compared with around 5000 at the beginning of this year and 3120 twelve months earlier. In *Slovakia*,on the same date it stood at 4500 with 4350 at the beginning of the year and 2875 a year earlier. The average capitalization of FI enterprises in Slovakia, however, is smaller than those in the Czech Republic.

Estimated by the secretariat, the number of FI registrations in *Bulgaria* had reached about 2500 by the beginning of April 1994, while in January this stood at 2300 and at the start of 1993 at 1200.

In the *former constituent Republics of the Soviet Union*, the total number of FI registrations rose from 18.3 thousand at the beginning of 1993 to about 32 thousand a year later and 32.5 thousand by the end of the first quarter. Of the total number of joint ventures and wholly foreign-owned subsidiaries registered in the former USSR by the beginning of April this year, 18.3 thousand were set up in the *CIS member-states*.[1] This figure shows an increase from three and fifteen months earlier (17.2 thousand and 8 thousand).

During 1993, the number of FIEs registered in the *Russian Federation* grew almost 2.5-fold (from 3252 in January 1993 to 7989 a year later). By the end of March this year, this is estimated to stand at 8300.

On the same date, the number of foreign investment registrations in *Ukraine* was about 2700, as compared with 2530 at the beginning of 1994 and about 2000 one year earlier.

In *Belarus*, the number of registered FIEs almost doubled during 1993 (from 714 to 1250), and at the beginning of April it made up about 1400.

The increase in registrations was also significant in *Estonia*. During last year, the number of FI projects rose from 4294 to 6853 (a 60% growth). By the end of the first quarter the total had reached 7492. Over the same period, in *Lithuania* this number increased from 2090 (January 1993) to 3485 (January 1994) and at the beginning of April this year reached 3695. On the same date the estimated number of FIEs in *Latvia* stood at about 3000, compared with about 2850 in January 1994 and 2621 at the start of 1993.

Finally, in *Slovenia* the number of FI registrations rose from 2815 in January 1993 to about 3300 a year later. The secretariat estimates that at the end of the first quarter this year this number was about 3500.

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While no official data on FI are available from *Croatia*, press reports which refer to official sources indicate that during 1992 and 1993, 2187 FIEs were registered in this country.

2. Foreign Investment in Estonia

The present section is based on FI data communicated to the UN/ECE secretariat by the Estonian Ministry of Finance. These data come from various sources: the Enterprise Register (ER), financial reports of enterprises to the Estonian Statistical Office (SO) and the Bank of Estonia (FDI flows). As is the case of some other countries of the region, different sets of information are not fully compatible with one another.[2]

(a) *Growth and capitalization*

According to the ER, the *number* of registered FIEs increased from the cumulative total of 4294 at the beginning of 1993 (2219 on 1 July 1992) to 6853 one year later (see *Table 1*). During the first quarter, the number of registrations grew by 636 making a total of 7492 registered FIEs by the end of March 1994. This gives a 75% growth over a period of 15 months.

[1] The Commonwealth of Independent States includes 11 former Soviet Republics: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

[2] The data from the Enterprise Register refer to registered FIEs, which have not necessarily paid in their capital and started operations. Consequently, the foreign capital data from that source represent commitments by foreign partners to FIEs. In contrast, the financial data from the Statistical Office refer to operational enterprises reporting to that Office, the number of which is considerably smaller than that of those registered. Finally, the Bank of Estonia information concerns the balance-of-payments FDI flows as reported by operational FIEs.

TABLE 1

Foreign investment registrations in Estonia, by year

YEAR	FOREIGN CAPITAL		NUMBER
	(mn EEK)	(mn USD)	
1992(cum.)	1108.3	92.1	4294
1993	1223.0	92.4	2559
1994(1Q)	609.2	44.2	639
TOTAL	2940.6	228.8	7492

NOTE: on 1 April 1994, figures may not add to totals because of rounding. Foreign capital data are converted in USD at yearly (quarterly) average exchange rates.

Source: UN/ECE secretariat—Estonian enterprise register

TABLE 2

Foreign direct investment inflow in Estonia, by year

YEAR	1992	1993	1994(1Q)
	(mn USD)	(mn USD)	(mn USD)
EQUITY CAPITAL, OF WHICH:	48.4	93.2	25.9
NEW FIEs	...	57.7	19
EXISTING FIEs	...	29.4	6
PRIVATIZED SOEs	...	6.1	0
RE-INVESTMENT	2.7	27.6	6.7
FDIEs LIABILITIES, OF WHICH:	...	...	9.1
LONG-TERM LOANS	6.1	12.8	8.5
SHORT-TERM LOANS, OF WHICH:	1.4	35.2	0.9
TRADE CREDITS	...	22.4	-0.3
FDIEs CLAIMS	...	...	-1.5
TOTAL	58.6	168.7	40.1

NOTE: on 1 April 1994, figures may not add to totals because of rounding. Foreign capital data are converted in USD at yearly average exchange rates.

Source: UN/ECE secretariat—Bank of Estonia.

However, the number of operational FIEs reporting to the SO was significantly smaller. At the beginning of 1993 and 1994, this stood at 1295 and 1576, representing 30% and 23% of those registered, respectively.

The revised estimates from the ER show that the *foreign component of the statutory capital* of registered FIEs at average yearly (quarterly) exchange rates grew from 92.1 mn USD in January 1993 (cumulative figure) to 184.5 mn USD a year later and to 228.8 mn USD by the end of the first quarter of this year (a 2.5-fold growth over 15 months).

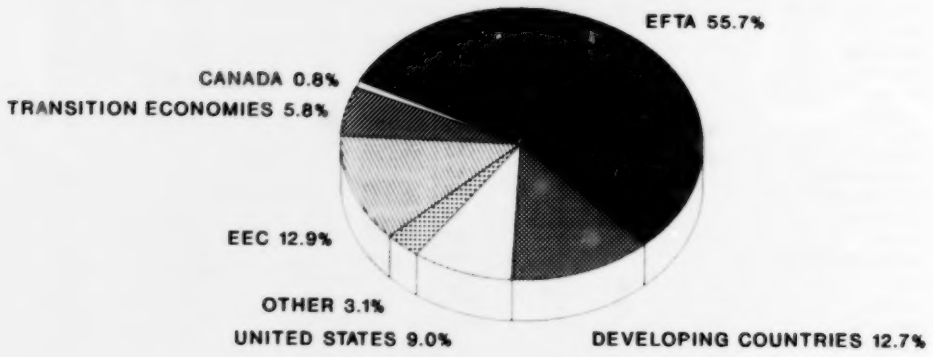
According to the Bank of Estonia, during 1992 and 1993 the *inflow of foreign direct investment* (FDI) amounted to 58.6 mn USD to 168.7 mn USD, respectively (see *Table 2*), and during the first quarter of this year was 40.1 mn USD. Cumulatively, during this period the FDI inflow was as high as 267.4 mn USD. The value of the 1993 FDI inflow is almost twice as big as the increment of the foreign capital commitments during the same year mostly because the former takes into account not only the transfer of capital by parent companies to their subsidiaries but also re-investment by FIEs and inter-company loans. At the same time, for the first quarter of 1994, the value of commitments was higher than that of the actual flow. The Estonian Ministry of Finance explains this discrepancy by the non-payment of a committed sum to the equity capital of one large FIE registered at the beginning of the year.

Respectively 83% and 55% of the 1992 and 1993 yearly FDI inflows represented the inflow of *equity* capital to new and existing enterprises. 5% and 16% were accounted for by *re-investment* and 13% and 29% by long- and short-term *loans* extended by parent companies to their Estonian subsidiaries. During the first quarter of 1994, the equity capital made up about 65% of the quarterly FDI inflow, re-investment 17% and credit liabilities of FIEs to their parent companies 23%.

In 1993, about 62% of the new foreign investment in equity went to newly established enterprises and 32% replenished the capital of the already established FIEs (75% and 23% respectively in the first quarter of 1994). Less than 7% of the equity investment (6.1 mn USDor less than 4% of total FDI inflow in 1993) financed the privatization of state enterprises by non-residents. This share became even smaller in the first quarter FDI inflow (less than 2%).

CHART 2

Foreign investment enterprises in Estonia by origin of foreign partner



At the beginning of April 1994, the *average FI* in a registered enterprise with foreign capital participation amounted to 30.5 thousand USD.

(b) *Foreign partners*

The available data showing the distribution of FI by foreign partner country refer to registered (and not necessarily operational) companies with foreign participation.

According to those, at the beginning of 1994 the bulk of foreign investment came from countries of western Europe (69%) (see *Chart 2* and *Table 3*). Companies from the EFTA countries committed the largest amount of foreign capital (56%), while the weight of investors from the EU region was much smaller (13%).

The share of companies from the United States amounted to 9% and that of their counterparts from the European transition economies to 6%. Developing countries, as an aggregate investor, accounted for 13% of the total amount of capital coming from abroad.

Over 1993, the share of west European companies dropped (84% at the beginning of 1993) because of the declining weight of the EFTA-based investors (71%). In contrast, during that year the shares of foreign investors both from developing countries and the United States increased significantly (at the beginning of 1993 those stood at less than 2% and 6%, respectively).

In terms of *major investor-country*, Finland (27%), followed by Sweden (24%) and Egypt (12%) were the most important sources of FI (see *Chart 3* and *Table 3*). These three countries alone accounted for over 63% of the total foreign component of aggregated statutory capitals, while the first five top investor-countries, which included also the United States and the Russian Federation, for 76%. The shares of the other major foreign investors were less significant: the first ten of them committed 90% of foreign capital coming from abroad.

In terms of *number* of FIEs registered, Finland accounted for almost 54% of the total, while the three major investor-countries which also included Sweden and the Russian Federation (12%, each), for 77%.

TABLE 3

Foreign investment enterprises in Estonia, by foreign partner country

COUNTRY/REGION	FI STOCK		NUMBER OF FIEs	
	1.01.1993	1.01.1994	1.01.1993	1.01.1994
	(mn EEK)	(mn EEK)		
WESTERN EUROPE	927.1	1592.4	3285	5303
EUROPEAN UNION	143.8	298.1	345	621
BELGIUM	1.3	2.0	12	16
DENMARK	10.8	23.3	35	70
FRANCE	2.2	3.0	14	18
GERMANY	38.3	76.4	155	275
GREECE	0.9	0.9	6	6
ITALY	14.4	38.2	15	21
IRELAND	18.1	26.7	14	28
LUXEMBOURG	2.9	4.4	9	13
NETHERLANDS	41.5	54.2	27	53
PORTUGAL	0.0	1.0	0	6
SPAIN	0.0	0.1	3	6
UNITED KINGDOM	13.3	68.0	55	109
EFTA	783.3	1291.1	2940	4679
AUSTRIA	83.2	84.2	28	38
FINLAND	416.4	632.3	2322	3738
ICELAND	0.0	0.7	0	2
LIECHTENSTEIN	1.3	1.3	7	8
NORWAY	2.7	7.0	32	52
SWEDEN	277.5	550.1	526	799
SWITZERLAND	2.2	15.5	25	42
OTHER EUROPE	0.0	3.3	0	3
TURKEY	0.0	3.3	0	3
CANADA	13.5	18.0	33	46
ISRAEL	0.0	0.0	4	4
JAPAN	0.5	3.8	1	5
UNITED STATES	63.8	209.1	126	221
DEVELOPING COUNTRIES	17.3	294.5	34	50
BRAZIL	0.0	0.9	0	2
EGYPT	15.0	288.0	1	2
HONG KONG	0.2	0.8	7	9
INDIA	1.3	2.0	9	12
INDONESIA	0.0	0.0	0	1
JORDAN	0.0	0.0	1	1
KOREA, REPUBLIC OF	0.0	0.0	1	2
LEBANON	0.0	0.0	2	2
PAKISTAN	0.0	0.3	0	1
PANAMA	0.7	2.1	2	4
SINGAPORE	0.1	0.1	4	5
SYRIAN ARAB REPUBLIC	0.0	0.0	2	2
THAILAND	0.0	0.0	1	1
UNITED ARAB EMIRATES	0.0	0.4	0	2
VENEZUELA	0.0	0.0	4	4
ECONOMIES IN TRANSITION	58.4	135.0	819	1154
BULGARIA	0.6	1.3	10	16
C.I.S., OF WHICH:	53.5	98.9	725	996
BELARUS	0.7	1.4	8	12
KAZAKHSTAN	0.1	4.1	5	12
RUSSIAN FEDERATION	47.0	85.5	631	850
UKRAINE	4.6	6.7	50	76
OTHER	1.1	1.2	31	46
CZECH REPUBLIC 1)	0.4	0.5	4	6
SLOVAK REPUBLIC	1)	1)	1)	1)
HUNGARY	0.6	19.4	5	9
LATVIA	0.3	9.9	21	47
LITHUANIA	0.7	0.8	10	23
POLAND	2.1	4.0	40	52
CROATIA	0.0	0.0	0	1
YUGOSLAVIA	0.1	0.1	4	4
NON-EUROPEAN PLANNED ECONOMIES	15.4	30.5	42	94
CHINA	14.4	29.5	41	92
VIET NAM	1.0	1.0	1	2
OTHER	1.3	1.3	7	8
AUSTRALIA	1.3	1.3	6	7
SOUTH AFRICA	0.0	0.0	1	1
OTHER NON-SPECIFIED	11.2	33.0	42	87
TOTAL	1108.3	2317.8	4393	6972

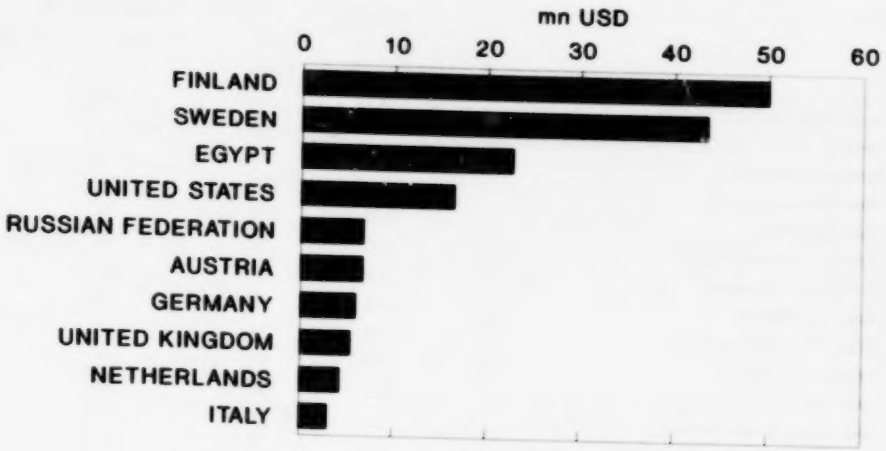
1) Data for Slovak Republic are given together with those for Czech Republic.

NOTE: Figures may not add to totals because of rounding. Totals in this table do not agree with those in table 1 and 4 as in the original.

Source: UN/ECE secretariat—Estonian enterprise register.

CHART 3

Foreign investment enterprises in Estonia by major foreign partner

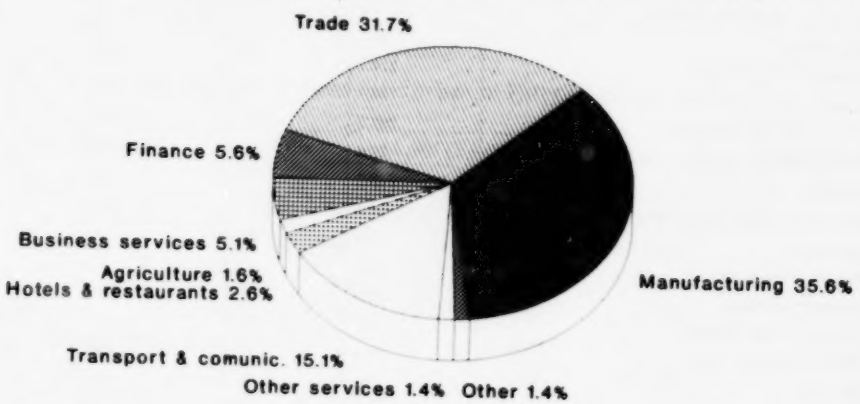


FOREIGN CAPITAL

1.01.1994

CHART 4

Foreign investment enterprises in Estonia by sector of activity



FI STOCK

1.01.1994

(c) *Industrial breakdown*

The data on the industrial distribution of registered FIEs at the beginning of 1994 show that manufacturing followed by trading activities were the two sectors most attractive to foreign investors. On that date, these sectors accounted for 36% and 32% of the total foreign capital committed (see *Chart 4* and *Table 4*). Transport and communications infrastructure held the third place in terms of FI commitments (15%), while financial intermediation (6%) and real estate and business services (5%) followed. The five above-mentioned sectors taken together accounted for 93% of the foreign component of aggregated statutory capitals, while the shares of other sectors/industries were less important.

During 1993, wholesale and retail trade increased its weight in the cumulative foreign capital commitments (20% at the beginning of 1993), a development which, to a lesser extent, also holds for financial intermediation (2%). At the same time the share of FI in transport and communication dropped (28%).

Within *manufacturing*, at the beginning of 1994 production of food and tobacco, and manufacture of non-metallic products (building materials) attracted FI the most. These two branches accounted, respectively, for 39% and 23% of the committed foreign capital to date. They were followed by textiles and wearing apparel (7%), wood and wood products (6%) and paper and publishing (4%). These five major branches of FI concentra-

TABLE 4

Foreign investment enterprises in Estonia, by industry

ISIC rev.3 CODE	INDUSTRY	FI STOCK		NUMBER OF FIEs	
		1.01.1993 (mn EEK)	1.01.1994 (mn EEK)	1.01.1993	1.01.1994
A	Agriculture, hunting & forestry	8.7	36.6	70	117
B	Fishing	4.0	4.8	12	16
C	Mining & quarrying	4.4	5.8	6	9
D	Manufacturing, of which:	394.2	830.7	715	1130
15-16	Food and tobacco	91.0	324.0	45	88
17-19	Textiles & wearing apparel	24.0	58.1	96	177
20	Wood & wood products	15.0	51.0	111	176
21-22	Paper & publishing	28.0	33.8	78	122
23	Coke & petroleum products	0.0	14.0	0	2
24-25	Chemicals & rubber	8.1	19.2	53	82
26	Other non-metallic products	180.3	192.0	41	49
27-28	Basic metals & metal products	11.3	19.7	49	76
29	Machinery & equipment N.E.C.	2.2	25.6	39	61
30	Office & computing machinery	3.8	22.1	32	42
31	Electrical machinery	21.4	21.7	15	24
32	Radio, TV & communication equipment	0.0	2.9	11	15
33	Medical & precision instruments	1.7	3.1	17	24
34-35	Transport equipment	0.4	2.1	21	32
36	Other manufacturing	5.6	38.4	103	152
37	Recycling	1.3	2.9	4	8
E	Electricity, gas & water supply	0.0	1.0	1	2
F	Construction	12.7	18.3	182	245
G	Wholesale & retail trade	219.2	738.1	1815	3160
H	Hotels & restaurants	39.3	60.2	142	200
I	Transport & communication	307.7	351.2	245	367
J	Financial intermediation, of which:	25.6	131.6	38	74
66	Insurance	15.2	0.0	8.0	0.0
K	Real estate & business activities, of which:	64.2	118.1	927	1307
70	Real estate	2.5	16.1	47	87
71	Renting of machinery	1.8	2.8	20	30
72	Computer activities	13.9	21.0	100	136
73	Research & development	0.2	0.6	12	15
74	Other business activities	45.8	77.6	748	1039
M	Education	1.4	2.5	28	49
N	Health-care	0.2	0.3	14	21
O	Other services	26.7	32.2	92	146
	TOTAL	1108.3	2331.3	4294	6853

NOTE: Figures may not add to totals because of rounding. Sums of columns for numbers of FIEs (4287 for 1.01.1993 and 6843 for 1.01.1994) do not agree with the respective totals.

Source: UN/ECE secretariat—Estonian enterprise register.

tion accounted together for 79% of the cumulative foreign component of FIEs' statutory capitals in manufacturing.All other branches of this sector attracted each 3% or less of foreign capital to date. Therefore, during the period surveyed, FI in manufacturing concentrated in the production of consumer goods and food (46% taken together) and intermediate inputs (building materials and wood-processing—29%), while engineering (9%) and chemical industry (4%) attracted foreign investors less.

(d) *Geographical location*

At the beginning of 1994, over 73% of registered FIEs (4857 of 6614) was located in the capital of Estonia - Tallinn (see *Chart 5* and *Table 5*). The other regions of the country have attracted foreign investment on a smaller scale. Tartu, the second largest city of the republic, and its region played host to about 7% of the total number of FIEs and the Harju region to 5%. These three

CHART 5

Foreign investment enterprises in Estonia by location

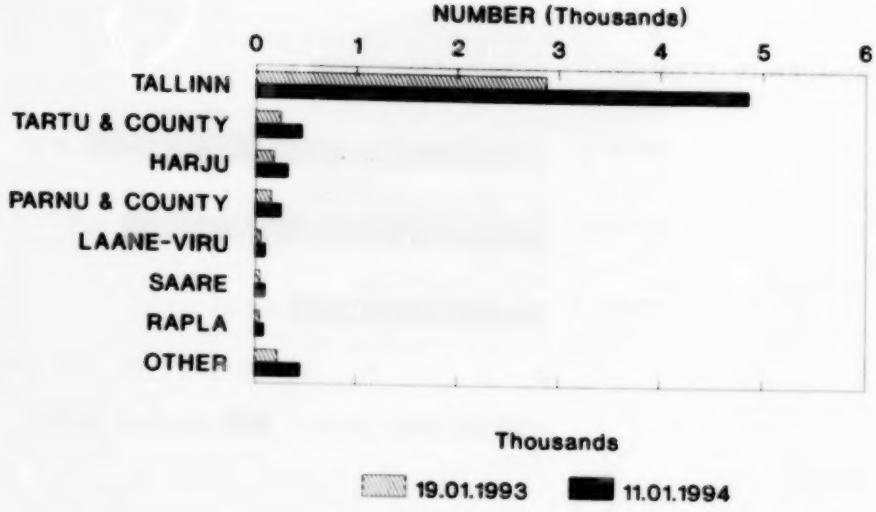


TABLE 5

Foreign investment enterprises in Estonia, by location

CITY/REGION	FIEs	ALL ENTERPRISES	FIEs	ALL ENTERPRISES
	NUMBER		NUMBER	
	19.01.1993		11.01.1994	
TALLINN	2880	19375	4857	26346
TARTU	202	3304	370	4488
KOHTLA-JARVE	14	951	21	1354
PARNU & PARNU COUNTY	157	3704	252	4699
HARJU	178	3181	317	4075
HIIU	12	544	22	648
IDA-VIRU	15	850	26	1455
JARVA	15	1534	42	1788
JOGEVA	12	1438	38	1737
LAANE	41	1197	65	1637
LAANE-VIRU	52	1739	99	2593
NARVA	30	1409	78	1516
POLVA	9	838	25	2072
RAPLA	47	1117	85	1501
SAARE	48	1342	97	1950
SILLAMAE	0	162	6	308
TARTU COUNTY	44	2164	87	2734
VALGA	30	1138	45	1770
VORU	12	1718	14	2025
VILJANDI	32	2552	68	3112
TOTAL	3830	50257	6614	67808

Source: UN/ECE secretariat—Estonian enterprise register (Estonian statistics, quarterly statistical bulletin, 1992, No. 4, p. 61; EESTI statistika (Estonian statistics), 1993, No. 12, p. 78).

CHART 6

Weight of foreign investment enterprises in estonian economy

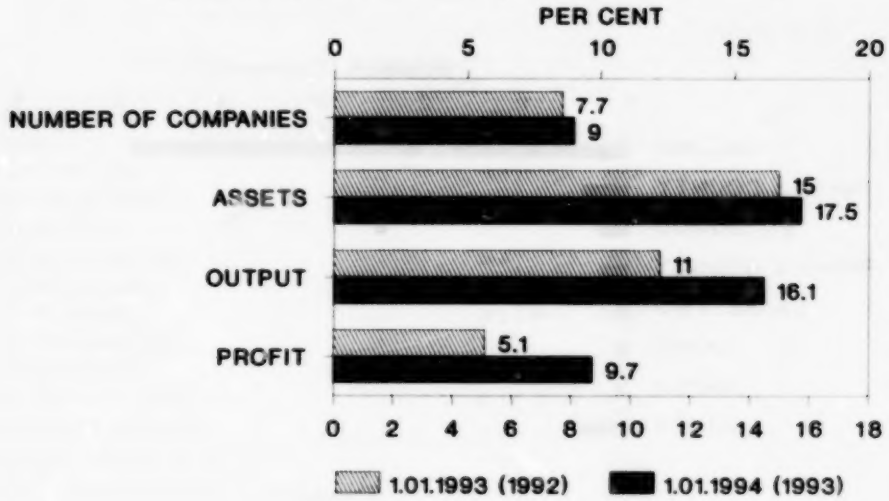


TABLE 6

Foreign investment enterprises in Estonia, operational indicators

TYPE OF ENTERPRISE	NUMBER OF COMPANIES	ASSETS	OUTPUT	PROFIT (BEFORE TAXES)	
				TOTAL	FROM SALES
	(number)	(mn EEK)	(mn EEK)	(mn EEK)	(mn EEK)
1.01.1992 (1991)					
FIEs, OF WHICH:	...	341.6	...	42.9	11.9
WHOLLY FOREIGN-OWNED SUBSIDIARIES	...	29.7	...	1.2	0.2
JOINT VENTURES	...	311.9	...	41.6	11.6
ALL ENTERPRISES	...	5648.9	...	647.8	558.2
1.01.1993 (1992)					
FIEs, OF WHICH:	1295	3901.8	4204.9	282.3	196.7
WHOLLY FOREIGN-OWNED SUBSIDIARIES	128	134.8	...	13.9	15.4
JOINT VENTURES	1167	3767.0	...	268.4	181.3
ALL ENTERPRISES	16742	25947.8	38399.2	5557.7	4320.1
1.01.1994 (1993)					
FIEs, OF WHICH:	1576	6955.2	8625.9	245.6	228.4
WHOLLY FOREIGN-OWNED SUBSIDIARIES	231	722.6	...	23.0	31.5
JOINT VENTURES	1345	6232.6	...	222.7	196.9
ALL ENTERPRISES	17553	39807.1	53673.7	2523.5	1871.4

NOTE: Figures may not add to totals because of rounding.

Source: UN/ECE secretariat—Estonian statistical office (enterprises financial data).

locations, taken together with Parnu (4%), accounted for almost 89% of the total number of FIEs registered. Over 1993, the geographical pattern of registered FIEs was stable.

On the same date, the weight of the Tallinn-based FIEs in the total number of enterprises registered in the Estonian capital was as high as over 18% as compared with less than 10% on average. While in Tartu and Harju regions it was close to the average, in all other locations this share was significantly lower than the national indicator.

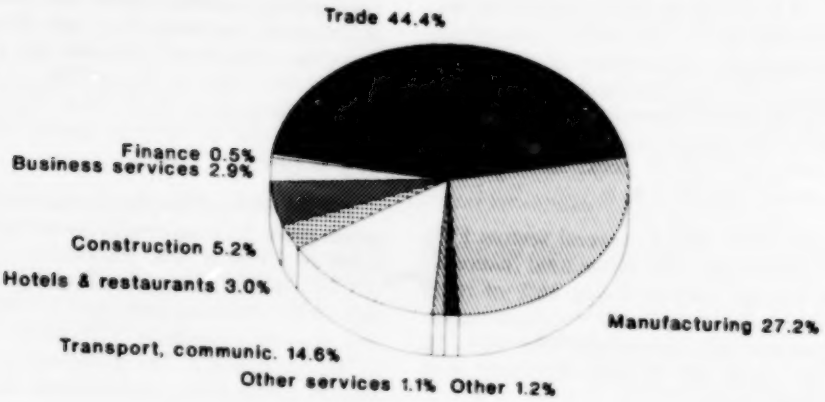
(e) *Operational FIEs*

At the beginning of 1994, the *number* of operational FIEs (those reporting to the SO) amounted to 1576 (as compared with 1295 a year earlier), of which 231 or 15% were wholly foreign-owned subsidiaries. Operational companies with foreign participation accounted for about 9% of the total number of enterprises reporting to the Estonian SO (8% in 1993) (see *Chart 6* and *Table 6*).

At current prices and yearly average exchange rates, their *assets* increased from 341.6 mn EEK (28.5 mn

CHART 7

Foreign investment enterprises in Estonia by sector of activity



OUTPUT

1.01.1994 (1993)

TABLE 7

Operational foreign investment enterprises in Estonia, output by industry

ISIC rev.3 CODE	INDUSTRY	1.01.1993 (1992)				1.01.1994 (1993)			
		FIEs		ALL ENTERPRISES		FIEs		ALL ENTERPRISES	
		NUMBER	OUTPUT (mn EEK)	NUMBER	OUTPUT (mn EEK)	NUMBER	OUTPUT (mn EEK)	NUMBER	OUTPUT (mn EEK)
A	Agriculture, hunting and forestry	11	3.0	1073	2372.0	34	88.274	1392	1990.441
B	Fishing	3	4.9	78	314.3	8	6.0	120	340.3
C	Mining and quarrying	3	3.6	31	560.0	1	0.7	41	910.2
D	Manufacturing	310	892.3	3602	11801.2	369	2346.4	3172	15755.6
40+41	Electricity, gas and water supply	1	0.7	108	2672.6	4	9.8	290	3559.5
F	Construction	80	199.0	1912	2643.5	82	446.4	1703	3939.6
G	Wholesale and retail trade	474	1958.3	4605	10883.2	708	3829.6	6395	15983.0
H	Hotels and restaurants	31	147.5	746	605.5	57	256.6	923	1152.1
I	Transport storage and commmunications	55	803.0	715	4720.4	77	1258.3	604	7028.4
J	Financial intermediation	5	2.5	55	99.7	23	39.2	148	567.4
70-74	Real estate and business activities	282	158.3	2782	1287.3	157	247.6	1804	1786.3
M	Education	7	1.6	110	27.3	11	11.9	122	46.4
N	Health and social work	3	3.6	111	53.4	10	12.1	146	97.3
O	Other social and personal services	30	26.6	814	358.7	35	73.0	693	517.2
	Total	1295	4204.9	16742	38399.2	1576	8625.9	17553	53673.7

NOTE: Figures may not add to totals because of rounding.
Source: UN/ECE secretariat—Estonian stastistical office.

USD) at the start of 1992 to 3901.8 mn EEK (324.3 mn USD) a year later and 6955.2 mn EEK (525.6 mn USD) at the beginning of 1994. This gives a 18-fold growth in USD terms over a period of 1992-1993 and a 60% growth during 1993. During the same period, the asset value of FIEs increased more rapidly than that of all enterprises; as a result, the share of FI-controlled assets grew from 6% in 1992 to 15% and 17.5% one and two years later, respectively.

According to the SO estimate, at the beginning of 1993 the total number of wage and salary workers *employed* by FIEs represented about 3% of the total employment in Estonia.

In 1992, FIEs contributed 11% of the total *output* of the Estonian economy. During the following year, this proportion increased to 16%.

In terms of output, the activities of companies with foreign participation are highly concentrated in a few economic sectors (see *Chart 7* and *Table 7*). In 1993, wholesale and retail trade FIEs accounted for over 44% of the total FI-related output. Manufacturing enterprises produced about 27%, and transport and communication companies 15% of it. The share of construction was 5% and those of hotels and restaurants, and business activities (including real estate operations) 3%, each. It should be noted that the weight of FIEs rendering business serv-

ices was more important in terms of enterprise number: in 1993 those accounted for 10% of the total.

Taken together, FIEs in the six above mentioned sectors produced more than 97% of the total FI-related output, while their share in the total number of operational FIEs was as high as 92%. Broadly speaking, the output structure of operational FIEs followed that of the foreign capital committed by registered FIEs. At the same time, it is seen that, as compared with FI stock, the output was importantly more trade-oriented.

The data available show that in several sectors FIEs accounted for weighty proportions of the total (national) output. While on average they produced 16% of it, in trade their share was 24%, in hotel and restaurant operation 22% and transport and communications 18%. In manufacturing, the share of FI-related output was slightly below average (15%).

During 1992, at current prices operational *profits* (before taxes) of FIEs increased slower than those of all Estonian enterprises (7-fold and 9-fold, respectively). During 1993, this indicator dropped for both FIEs and overall. However for all Estonian enterprises this fall (-55%) was substantially more important than for FIEs (-13%). Consequently, the share of FI-related profits in their total amount dropped from 7% in 1991 to 5% in 1992 and than increased to 10% IN 1993. During the same period, a similar pattern was characteristic of a part of the profit generated from sale of goods and services. However, while overall this indicator plummeted in 1993 by 57%, the sales' profits of FIEs increased steadily. As a result, their share in the total volume of sales' profits grew from 2% in 1991 to almost 5% a year later and 12% in 1993.

During 1991-1993, the *profitability* of FIEs (profit to assets ratio) declined over 3-fold, from 12.5% in 1991 to 3.5% in 1993. It was marginally higher than average (11.5%) in 1991, but considerably lower both in 1992 and 1993, when this indicator for FIEs and for all Estonian enterprises made up 7.2% and 21.4%, and 3.5% and 6.3%, respectively. The profitability calculaated by the ratio of profits from sales to assets was lower for FIEs in all three years: in 1991, 1992 and 1993 the respective indicators made up 3.5%, 5.0% and 3.3% as compared with 9.9%, 16.6% and 4.7% for all enterprises.

Given a more stable than overall profit trend of FIEs, the latter circumstance reflects a more rapid growth in FIEs' assets over the last two years.

IV. NEWS ROUND-UP

A. Forthcoming seminar

Seminar on the Problems Surrounding Real Property Transactions Involving Foreign and Domestic Investors in Central and Eastern Europe, to be held at the Palais des nations, Geneva, Switzerland, on Monday 5 September 1994.

While the countries of central and eastern Europe have made impressive progress in enacting new laws to support the establishment of a market economy, a number of legal problems still urgently require to be addressed. These problems particularly refer to transactions involving real property—defined as land and everything that goes with the land (buildings, fences, trees, water rights, air rights, mineral rights and so on). The extent of the rights of former owners of real property has still to be satisfactorily settled in many eastern European countries, thereby creating uncertainty over actual title to the property. The institutions for registering land and other property, mortgages and leasehold interests are either underdeveloped or non-existent in the region. The mechanisms for transferring the ownership of property from state into private hands are often unclear as various institutions claim rights to negotiate sales with prospective buyers. The unfettered transfer of title between enterprises is also far from being realized in countries of the region. Methods for appraising the value of real property tend to be arbitrary without a fully operating property market. Enforcement of interests in real property are weak. For all these reasons, a market in real property in central and eastern Europe has been slow to develop.

The effect of these legal and institutional shortcomings in the area of real property has become a serious impediment to reform in many countries in transition. The difficulty in establishing clear and indefeasible title to real property prevents the new private entrepreneurs from using their assets as security for debt. Inadequate property laws and procedures leads to a scarcity in the supply of suitable commercial premises which has delayed a number of foreign manufacturers, trade and service organizations from establishing themselves in the region. In addition, inefficiencies in land registration are contributing amongst other things, to governments losing considerable amounts of money in tax revenues.

The purpose of this Seminar is to bring together legal experts, businessmen and bankers to examine the problems surrounding real property laws in central and eastern Europe and to discuss the methods and measures which are being used to overcome them. In particular, the Seminar will examine:

— legal reform in real property matters;

— role of foreign companies, banks and real-estate brokers in central and eastern Europe;

— measures to facilitate real property law reform.

Participation is open to businessmen, bankers and real-estate brokers from the private sector. Invitations will be extended to the privatization agencies and land registration offices in central and eastern Europe along with government officials responsible for property law reform. In addition, the international multilateral agencies will be invited to participate.

Session I:

Problems of Buying and Selling Real Property in Eastern Europe

Panel Speakers: representatives of companies with experience of real property transactions in central and eastern Europe, and real-estate brokers, etc.

Session II:

Administrative and Institutional Procedures for Registering Commercial Property Transactions in Central and Eastern Europe

Panel Speakers: representatives of land registries and real-estate insurers.

Session III:

Use of Real Property as Collateral for Financial Loans in Central and Eastern Europe

Panel Speakers: commercial loan managers from local and foreign banks.

Session IV:

Valuation of Real Property in the Absence of a Fully Functioning Property Market

Speakers: experts in real-estate valuation.

Concluding Session:

Finding Solutions to Obtaining More Favourable Property Laws and More Efficient Administrative and Institutional Procedures for Real Property Transactions in Central and Eastern Europe

Panel Speakers: representatives of east European real property associations

Interested parties wishing to attend this Seminar should contact:

The Director
Trade Division
United Nations Economic Commission for Europe
Geneva, Switzerland.
Fax: (41 22) 917 0036

Further details can be obtained by telephoning:
(41 22) 917 2838 or 917 2481.

B. Recent Publications

1. Slovenian business report. This new monthly magazine contains information on the Slovenian economy as well as on the profiles foreign companies investing in the country. General information and the possibilities for investors in certain sectors and industries (such as in the graphic industry, design and textile sectors etc.) are regularly being reviewed.

Furthermore, the review publishes Slovenian legislation relating to commercial companies and other legal issues as well as monthly data on the current economic situation of the country.

Anual subscription: 91 DEM

Individual issue: 10 DEM

Editorial address:

Vitrum Ltd
Ciril Metodov trg 19
61 000 Ljubljana, Slovenia

Telephone: + 38 61 312 363
FAX: + 38 61 132 301

2. Slovenia weekly. This weekly review deals with cultural, political, social and economic topics concerning different aspects of Slovenia's relations with other countries in transition by providing short reports on the current economic activities in certain industries, information on the budget and specific statistics about Slovenia's different economic sectors.

Annual subscription: 120 DEM

Publisher:

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Ciril Melodov trg 19
61 000 Ljubljana, Slovenia

Telephone: 386 61 133 40 47; –133 41 76; –133 42 92
Fax: 386 61 133 23 01

3. Budapest Business Journal. This weekly journal contains summary reports on business and the economic situation in the country, such as reports on the state privatization programme, investments possibilities in specific sectors (such as the telecommunications) and reviews of specialized areas (such as ambulance services and youth hostels). A special 1994 report entitled *"Where's the money"* published by Budapest Business Journal is devoted to the problem of finding and securing finance in Hungary. Furthermore, it provides information on government financing, commercial and investment banks, stock brokers as well as other relevant issues.

Publisher:

New World Publishing KFT
Budapest Business Journal
Ferenciek tere 7-8 I em. 4.
1053 Budapest, Hungary

Telephone: (361) 266-6088
Fax: (361) 118-0215

4. *The Estates News: Central and East European Property Gazette*

Estates News is a monthly publication providing information about trends and developments in the real estate markets of central and eastern Europe. It is of interest to corporate and private investors and business developers. Apart from news about real estate projects and finance, retail projects and architecture, it reports changes in property laws, property taxation and municipal developments. Furthermore, it provides information about exhibitions, seminars and other local events. Its advertising section supplies addresses of the region's real estate agents and investment firms.

The paper is located in Warsaw, Poland. The annual subscription fee is DM 150 for Europe, £ 60 for the UK and US$ 120 for the US and Canada.

Subscriptions can be ordered from:

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STOP-PRESS

RUSSIAN GOVERNMENT ANNOUNCES PLANS TO IMPROVE THE LAWS SURROUNDING FOREIGN INVESTMENT

On June 27 1994, the Primer Minister Mr V. Chernomyrdin announced that a package of draft laws has been prepared and will be presented to the Parliament for approval.

The proposed incentives for foreign investors include:

1. a five-year profit tax holidays
2. lifting of all restrictions on capital transfer in and from the country
3. right to retain all hard currency export earnings
4. exemption of customs duties on imports of raw materials and spare parts for production of goods
5. three-year guarantee against possible deterioration of foreign investment legislation (and extended seven-year duration of such guarantees in case of the value of foreign investment exceeding USD 100 thousand)

The purpose of these measures, according to the Prime Minister, is to improve the country's performance in attracting foreign direct investment.

East-West Investment News will provide a detailed analysis of these proposed new laws in its next edition.

Any information for inclusion in the Newsletter concerning conferences and publications on east-west investment should be sent to:

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United Nations Economic Commission For Europe
Palais des Nations
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CH—1211 Geneva 10
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